



## MFMA Implementation Plan - Template

### 1. Introduction

The reforms contained in the Municipal Finance Management Act (MFMA) require all municipalities to take a new approach to financial management, and review how they manage change across their organisation.

Municipalities must review and where necessary establish new systems for budgeting, income, expenditure, cash management, banking, supply chain management, investments, borrowings, assets, liabilities, reporting, internal audit and internal control, etc.

In addition, municipalities are required to review their systems of delegation and their finance-related by-laws and policies, establish a budget and treasury office, and ensure their officials meet new prescribed competency levels in financial management.

Such changes will only be successful if the municipality addresses these reforms in a holistic manner, at both an individual and organisational level and in a manner that promotes a change by all role-players, including at a corporate level through fundamental systemic improvements in how the municipality does business.

In order to address the scope of the reforms, municipalities must first take stock of what is required and then develop a plan of action that lists every step to implement the Act properly.

The attached “*MFMA implementation plan template*” has been developed to assist municipalities in this regard.

### 2. The purpose of the template

The development of an implementation plan should be seen as a critical step in meeting the requirement of the MFMA. All municipalities should develop a plan and submit a copy back to National Treasury by **31 October 2004**. The preparation of an implementation plan is the first of the twelve urgent implementation priorities as contained in MFMA Circular No 5 on the National Treasury website. Urgent priority number one states:

*“All municipalities are required to prepare an MFMA implementation plan that focuses on what the municipality intends to implement and achieve over the next three to five years. The plan should contain a list of activities together with target (and actual) dates, with provision to show ongoing (possibly monthly) progress with comments and a responsible councillor/official for each activity.”*

The reason for this requirement is to ensure that all municipalities develop a sound outline of their future actions, enabling councillors and officials to understand what must be done, by whom and when.

This template provides municipalities with a starting point to develop the implementation plan to manage the reforms contained in the MFMA and in other legislation relating to financial management. The template is a guide and can be amended or expanded to suit the specific needs of the municipality. It should be built on and used to help plan, organise, monitor and report on the actions taken within the municipality as it embarks upon the financial reform programme.

If completed correctly and properly adapted to suit the individual needs of the municipality, the plan will greatly assist both officials and the council in meeting the individual and organisational change priorities necessary to improve financial management within the municipality and across local government generally.

The following sections provide an explanation of the template, and takes the reader through how it should be completed for effective project planning.

### 3. Explanatory notes

There may be instances where information will not be relevant to all municipalities. The template will evolve over time and users are encouraged to advise the National Treasury of any errors or omissions so that the template may be improved and enhanced.

The template is provided as an excel spreadsheet that can be downloaded from the National Treasury website ([www.treasury.gov.za/mfma](http://www.treasury.gov.za/mfma)).

*“MFMA Implementation Plan Template - Circular 7 23Sept2004.xls”*

The template itself is organised into four worksheets:

- One for municipalities designated as a high capacity municipality (worksheet 1)
- One for municipalities designated as a medium capacity municipality (worksheet 2)
- One for municipalities designated as a low capacity municipality (worksheet 3)
- An additional one for municipalities that have municipal entities (worksheet 4)

Each municipality should use *at least* one worksheet on which to develop the implementation plan. Those with municipal entities will require two. Please note that worksheets 1 to 3 are identical other than the “final target date” that will vary according to the capacity level.

#### **Action Required column**

Each worksheet has been designed to provide a comprehensive listing of the activities that should be undertaken in order to meet the reform objectives of the MFMA. Where appropriate these are cross-referenced to other legislation including the Constitution, Division of Revenue Act, Municipal Structures Act and Municipal Systems Act. These activities are grouped according to financial function ie: financial planning and budgeting, income and expenditure management, cash management and banking, each listed in order, according to the final target date. The applicable MFMA sections are listed alongside the activity, for further reference.

#### **Responsibility Under the MFMA column**

The “Responsibility under the MFMA” column highlights the responsible party as it appears in the MFMA. These responsibilities are legislated, and therefore are shaded, as they should

not be altered. They are listed as a reminder as to who maintains legal responsibility for the activity being performed.

#### ***Delegation To column***

The column “Delegation to” is not shaded, and therefore it should be completed by the municipality in order to show who is delegated the task to complete the activity. It currently contains information on the legislative reference that permits the delegation, as a guide to the council when preparing its list of delegations – these cells should be overwritten once a delegation is determined (note that all delegations must be done in accordance with the legislative reference listed). If the delegated official sub-delegates an action to another official, you may wish to consider inserting an additional column to record that official.

#### ***Final Target Date column***

The final target date is considered to be the latest date by which a municipality must comply with the legislation. The dates recorded on the spreadsheet are in most cases the effective dates that were gazetted (refer Government Gazettes No. 26510, 25 June 2004 and No. 26511, 1 July 2004), unless a date has been specified in the legislation. Care should be taken when reviewing these dates, as most dates listed refer to effective dates for tasks that are ongoing. Whilst many of these cells are shaded, municipalities should still review each date and consider bringing times forward where possible.

#### ***Date Action Completed column***

The date-completed column has been left blank and municipalities should fill-in these cells as they complete the activities listed. This will provide municipalities with a measurement of performance against the final target dates and should be maintained as a regular tool for reporting to the steering committee (see step 1 below) and will assist in providing regular updates on progress to management and the Council.

#### ***NT comments column***

The template also contains a column for National Treasury comments. These comments provide a useful cross-reference to other legislation or supporting information concerning the activity that must be completed. Municipalities are encouraged to add comments to this column on progress made over a particular reporting period – in which either monthly or quarterly the officer preparing the report provides a summary of progress made.

### **4. Steps to be taken in developing the implementation plan**

#### ***Step 1: Establishing a steering committee***

The municipality upon receiving the template should establish a steering committee that manages the MFMA implementation. One of this group’s first tasks is to use or develop its own implementation plan, based on the template provided.

Whilst National Treasury does not stipulate the composition of the steering committee, it does recommend that top (or senior) management be involved, in particular the municipal manager as the accounting officer responsible for implementation of the MFMA and the chief financial officer or those officials acting in these positions.

In developing the plan, the steering committee should be consultative and involve all levels of the municipality to include officials and councillors.

**Step 2: Choosing the appropriate worksheet**

The municipality must first choose the appropriate worksheet on which to base their plan. For example, a high capacity municipality with a number of existing (or planned) municipal entities should refer to worksheet 1 and worksheet 4 (all municipal entities may be grouped together on worksheet 4). On the other hand, a medium capacity municipality without an existing or planned municipal entity should utilise worksheet 2 only.

**Step 3: Reviewing the functional split**

Activities have been grouped into eight functional areas ranging from “*management arrangements*” to “*in-year and annual reporting*”. Municipalities should review the functional split of the activities to determine whether it suits their needs or rearrange them accordingly, e.g. into section number order or departmental responsibilities.

**Step 4: Reviewing the action required**

Once the grouping of the activities has been agreed, the action required column must then be reviewed. The activities listed in the template provide the minimum requirements for compliance. It is envisaged that most municipalities will add to these to provide further guidance to all actioning officers when completing their tasks.

**Step 5: Reviewing delegations: Allocating responsibilities**

As stated earlier, the delegation column contains a legislative reference only – municipalities should allocate responsibilities based on these references. Once an official is allocated responsibility to a certain task, their position title should be entered in the cell or in a new column depending on the level of detail required in the plan.

**Step 6: Establishing appropriate target dates**

Target dates and milestones should then be reviewed – municipalities should carefully consider bringing forward many of the dates as those provided refer in most instances to the final target date in the legislation. Targets should be realistic, and officials and councillors should be held accountable to undertake tasks required of them by the due date.

**Step 7: Monitoring and reporting progress**

Once the implementation plan is finalised, it should be widely circulated across the organisation, and then used as a tool to monitor and report ongoing progress. Municipalities should use their implementation plan as a basis to determine responsibilities and as a performance measure linked where possible to employee performance agreements. This will also assist the municipal manager in addressing any shortcomings.

**Step 8: Ongoing development and review**

It is important that the implementation plan be subject to ongoing development and review by municipalities to ensure that it remains flexible and relevant. The plan once finalised should be re-assessed on a regular basis and amended if necessary to prevent bottlenecks in implementation.

## Submission of implementation plan

Municipalities are requested to forward a copy of their MFMA implementation plan to the National Treasury by **31 October 2004**. Please email this to the address listed below.

### Contact

Please direct all MFMA related questions to the dedicated email address or fax number listed below. All circulars and supporting materials are available on the National Treasury website.



#### National Treasury

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